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Report Highlights:

CFIA Expects to Test California Lettuce this Fall for Perchlorate * Canada Looking for List of Approved Mexican Melon Farms * Canada Announces End of WTO Dairy Case
* Canada Joins U.S. in WTO Case Against EU GM Ban * Canadian Oilseed Production Recovers from 2002 Drought Levels * Canadian Crop Conditions * Duties Shut U.S. Market to Canadian Wheat *
Newfoundland & Labrador First Province to Sign APF Implementation Agreement * Export Development Canada Release Canada Account Annual Report for 2001/02 * Canada Rejects U.S. Proposal to Tie Export Tax to Market Share ... and MORE!

Includes PSD changes: No
Includes Trade Matrix: No
Unscheduled Report
Ottawa [CA1], CA

This Week in Canadian Agriculture is a weekly review of Canadian agricultural industry developments of interest to the U.S. agricultural community. The issues summarized in this report cover a wide range of subject matter obtained from Canadian press reports, government press releases, and host country agricultural officials and representatives.

Disclaimer: Any press report summaries in this report are included to bring U.S. readership closer to the pulse of Canadian developments in agriculture. In no way do the views and opinions of these sources reflect USDA's, the U.S. Embassy's, or any other U.S. Government agency's point of view or official policy.

CFIA EXPECTS TO TEST CALIFORNIA LETTUCE THIS FALL FOR PERCHLORATE: The Canadian Food Inspection Agency (CFIA) confirms that it expects to test U.S. lettuce and other produce later this year for the chemical perchlorate following the alleged discovery of it in some California lettuce samples. According to CFIA, because perchlorate has essentially been a drinking water issue, there is currently no accepted methodology for perchlorate testing in food. However, the CFIA is in close contact with FDA and when a test procedure is developed, the CFIA is planning to test produce imported from the winter growing regions of California's Imperial valley and Yuma, Arizona. Once CFIA validates an approved test methodology for Canada, it would submit any positive samples to Health Canada for a human health risk assessment. Perchlorate is reportedly a type of salt that was mined for missile and weapons manufacture. Environmental groups claim that chemical is leaching from closed mines in the U.S. southwest region into the drinking and irrigation water.

CANADA LOOKING FOR LIST OF APPROVED MEXICAN MELON FARMS: Canada may lift a ban on imports of Mexican fresh melons related to salmonella contamination if an agreement can be reached with Mexican authorities to ensure that renewed exports to Canada only come from an approved list of Mexican farms. Rene Cardinal, the CFIA's head of fresh product safety, told the Office of Agricultural Affairs that his agency is looking for assurances that all Mexican melon shipments to Canada, including those transhipped via U.S. brokers are safe. According to CFIA, this will best be achieved if Mexican authorities certify the good agricultural and handling practices of the exporting melon farms.

CANADA ANNOUNCES END OF WTO DAIRY CASE: The Government of Canada (GOC) announced on May 9 the conclusion of the World Trade Organization (WTO) dispute with the United States and New Zealand over Canada's dairy export practices. "We are pleased to see the end of this dispute. By moving quickly on compliance, particularly at the provincial level, we have demonstrated our commitment to respecting our trade obligations," said International Trade

Minister Pierre Pettigrew. "Furthermore, we have worked with the dairy industry and the provinces to find a solution that would minimize disruption to the Canadian industry and bring our export practices in line with WTO rules."

According to Agriculture and Agri-Food Minister Lyle

Vanclief, "Both the industry and provinces are pleased that the threat of retaliation has been removed and an agreement has been reached, permitting a smooth transition toward compliance with Canada's WTO commitment."

Comments: The United States and New Zealand governments

temporarily suspended retaliation proceedings that could have been initiated January 17, 2003 at the WTO in order to accommodate Canada's attempts to come into compliance, given Canada's complex environment which involved provincial re-regulation. Due to long-term Commercial Export Milk (CEM) contracts that were already in place at the time of the WTO Appellate Body report in December, Canada will exceed its commitments for cheese and other milk products (Canada's limits are 9,076 metric tonnes for cheese and 30,282 MT for other milk products).

CANADA JOINS U.S. IN WTO PROCEEDINGS AGAINST EU GM BAN: According to a May 13 news release from the Canadian Department of Foreign Affairs and International Trade (DFAIT), the Government of Canada (GOC) is requesting formal World Trade Organization (WTO) consultations with the European Union (EU) in an effort to press European Union (EU) member states to lift their moratorium on the approval of genetically modified organisms (GMOs). "The moratorium on the approval of GMOs is inconsistent with the EU's WTO obligations and is not based on scientific risk assessments and thus creates an unjustified barrier to trade," said International Trade Minister Pierre Pettigrew. "We are asking the EU to allow its GMO approvals law to function-to approve or reject an application based on scientific evaluation." "Over the past several years, this moratorium has been directly responsible for Canada's loss of market access for canola in the EU," said Agriculture and Agri-Food Minister Lyle Vanclief. "Our trade in canola has diminished drastically. Since the ban was introduced in 1998, what was once an average \$185 million a year in trade has now dwindled to a mere \$1.5 million." For more than five years, Canada has tried to persuade the EU to change its stance on this matter but to no avail. Sixty days after the request for consultations is made, Canada will be in a position to ask the WTO to set up a dispute settlement panel

on the issue, if no resolution has been found by then. Grain Growers of Canada (GGC), a large farmer lobby group, welcomed the announcement. Ken Bee, GGC president said that the regulatory process for the approval of biotech crops "must remain science-driven, with decisions based solely on health and environment risk assessments. The European ban is clearly a non-tariff barrier that has no basis in science."

FARMERS TAKING GM WHEAT FIGHT TO OTTAWA: According to the May 14 edition of *Good Morning Ontario*, a group of prairie farmers plans to seek a moratorium on GM wheat from Ottawa. Saskatchewan farmers say that if Ottawa doesn't listen, and markets are lost, someone should have to pay for those losses. The Canadian Wheat Board (CWB) claims that more than 80% of its customers won't buy genetically modified wheat. The CWB and some farm groups say if Ottawa approves Monsanto's application to introduce its Roundup Ready wheat, the whole industry will suffer. While the farmers say they don't have problems with the science of GM wheat they say the moratorium should be in place until the market accepts it.

CANADIAN OILSEED PRODUCTION RECOVERS FROM 2002 DROUGHT LEVELS:

Based on the assumption of near-normal yields and abandonment rates, total production of oilseeds in Canada for 2003/04 is forecast to increase to 8.4 million metric tonnes (MMT) from 5.9 MMT in 2002/03. Supplies are forecast to increase considerably as higher production more than offsets the low carry-in stocks. Imports, mostly from the U.S., are expected to decline to 800,000 metric tonnes (MT) from 880,000 MT in 2002/03. Total exports are forecast to increase to 3.8 MMT from 2.9 MMT expected for 2002/03. In Canada, grains and oilseed prices are expected to decline due to lower world prices and appreciation of the Canadian dollar. For more information, see the Oilseeds and Products Annual Report (GAIN CA3030).

CANADIAN CROP CONDITIONS: According to Canadian industry sources, after several days of snow over the past week in Alberta, spring seeding was stalled but moisture conditions greatly improved. Cumulative amounts of up to four feet were reported and the rainfall equivalent was two to four inches. Rain fell in Saskatchewan and western Manitoba. The entire prairie region now has good to very good topsoil moisture conditions except for the northwest corner of Saskatchewan and the Interlake district of Manitoba. Seeding advanced well in Manitoba during the week to reach 30-35% complete, but only about 10% has been seeded in Saskatchewan and 5% in Alberta. Average completion for this date is around 25%. Delays so far are not serious but the grain belt now needs warm, dry weather to get the seed in and promote proper germination.

Corn planting in Ontario proceeded in earnest during the week despite unseasonably cool temperatures and frequent showers. Soil temperatures are low. Soybean planting is just getting started in the extreme southwest. Winter wheat prospects remain excellent.

SASKATCHEWAN CROP CONDITIONS - SURPLUS MOISTURE IN SOUTH: According to Saskatchewan Agriculture's latest weekly crop report, more spring moisture delayed seeding, harvesting, and field work. Last week's rain and, in some cases, snow created surplus moisture on crop land, particularly in the southern part of the grainbelt. More than 80% of south eastern farmers, almost 40% of south western farmers, and one-third of east central farmers rate their crop land topsoil moisture as surplus. A return to warmer temperatures along with drying winds will help field work resume in these areas. Farmers have seeded eight percent of the 2003 crop, which is behind the five-year (1998-2002) average of 33%. Last year about 13% of the crop was seeded at this time. Seeding is most advanced in the northeast where 16% of the crop has been planted. Farmers have seeded 13% of the crop in the northwest with all other regions reporting three to nine percent of the crop now in the ground. Crops reported as being seeded include peas, spring wheat, lentils, grass, triticale, durum, barley, and canola. Across the province, only six to seven percent of the winter wheat and fall rye were reported as winterkilled. Farmers reported that damage came more from grasshoppers last fall than over-winter damage.

DUTIES SHUT U.S. MARKET TO CANADIAN WHEAT: According to a May 8 article from the *Western Producer*, the door to the lucrative U.S. wheat market has been slammed in the face of Canadian farmers. The U.S. Commerce Department decision to impose temporary anti-dumping duties of 8.15% on durum wheat and 6.12% on spring wheat has probably ended whatever slim chance the Canadian Wheat Board (CWB) had of making sales to U.S. customers over the next few months. "This should stop pre-bookings almost totally," CWB CEO Adrian Measner said following the May 2 anti-dumping ruling. When added to the 3.9% countervail duty on both commodities imposed by the department March 3, it means a U.S. buyer would have to pay duties of more than 12% on durum and 10% on spring wheat. Measner said the CWB will continue offering wheat and durum for sale to U.S. buyers and will remain in contact with its traditional customers south of the border. But Measner acknowledged that

there isn't likely to be a lot of interest at those prices, other than perhaps some small shipments of specific quality. The CWB says it extracts a premium of around 13%, or \$31 a tonne, from the U.S. market, so it could conceivably swallow most of the duty and still get a better return from the U.S. than from other markets. *Comments: while the CWB believes that the cumulative effect of these duties has likely ended the ability to make sales to U.S. customers, there is speculation that it does not impose a serious hardship on the CWB as it will be able to service other third-country markets with exports from CY02/03 drought-reduced crop.*

NEWFOUNDLAND & LABRADOR FIRST PROVINCE TO SIGN APF IMPLEMENTATION AGREEMENT: In a May 12 joint news release from the Government of Canada and the Government of Newfoundland and Labrador, Newfoundland and Labrador has become the first province to sign an agreement with the Government of Canada to begin implementation of the Agricultural Policy Framework (APF). Federal Agriculture and Agri-Food Minister Lyle Vanclief, Newfoundland and Labrador Minister of Forest Resources and Agrifoods Rick Woodford and Gerry Byrne, Minister of State (Atlantic Canada Opportunity Agency) announced the agreement and called it a "momentous day" for the province's agriculture and agrifoods industry. Vanclief said that he was "confident we will be signing other implementation agreements with the remaining provinces soon." Woodford said "We believe that programming under the new APF, which is valued at more than \$32.4 million, will position our industry to capture new growth opportunities and build on its diversification and value-added activity." "This is good news for farmers and the entire agriculture and agrifoods industry in Newfoundland and Labrador," said Mr. Byrne. "Newfoundland and Labrador has taken a truly important step toward a successful future as the first to sign an APF implementation agreement with the Government of Canada." *Comments: All of the provinces with the exception of Quebec signed on to the APF in principle. Newfoundland and Labrador are the only province that have signed on to the implementation phase of the APF.*

ONTARIO AGRICULTURE MINISTER CRITICIZES APF: According to a recent Ontario Ministry of Agriculture and Food (OMAF) news release, OMAF minister Helen Johns said the recent federal review of the Business Risk Management programs proposed under the Agricultural Policy Framework (APF) does not address the needs of Ontario farmers. Ontario will contract with the George Morris Centre to conduct more comprehensive work on the Ontario segment of the current package of safety net programs and their relationship to the proposed APF programs. The report will be ready both for farm leaders and the minister on June 27, 2003. "The farm community wants to be sure that the new programs are more effective than the existing safety net package, and has pleaded with the federal government to delay implementation of the APF programs until such time as that concern has been fully addressed," Johns said. The federal government has not only refused to delay implementation, she said, but this recent review of the programs "has not addressed the very real anxieties of the agriculture sector, how existing programs are affected, and whether they could be redesigned to better fit Ontario's needs."

EXPORT DEVELOPMENT CANADA RELEASE CANADA ACCOUNT ANNUAL REPORT FOR 2001/02: On May 5 the Government of Canada (GOC) released the Canada Account (CA) 2001/2002 Annual Report. Under the CA, the GOC is able to provide support for transactions which, on the basis of EDC's risk management practices, could not be supported under EDC's Corporate Account. The eligibility considerations applied to transactions considered under the CA program include: (1) The GOC's general willingness to consider the country risk in question and the credit-worthiness of non-sovereign borrowers; and (2) National interest considerations such as: (i) economic benefits and costs to Canada; (ii) importance of the export market to Canada; and (iii) foreign policy implications, including Canada's bilateral relationship with the country in question. The CA may incur outstanding commitments to borrowers, and liabilities under contracts of insurance and other agreements up to an aggregate of \$13 billion. CA support is extended on terms and conditions that comply with the OECD Arrangement on Guidelines for Officially Supported Export Credits. The report is available on EDC's website at: http://www.edc.ca/corpinfo/pubs/2001-2002_CanAcctRep_E.pdf

CANADA REJECTS U.S. PROPOSAL TO TIE EXPORT TAX TO MARKET SHARE: The May 16 *Canadian Press* reported that Canada has rejected the latest proposal from U.S. lumber producers to resolve the cross-border softwood lumber dispute. "We absolutely have no intention of going in the direction the American producers have proposed in the last few days," International Trade Minister Pierre Pettigrew said in the Canadian House of Commons on Friday.

"It is a no-go as far as we're concerned." Canadian Alliance Member of Parliament (MP) Reed Elley said the American producers are demanding an export tax on Canadian softwood lumber products that could reach 33%. Elley also claimed the proposal includes a demand that about two thirds of the \$1.5 billion in duties already

collected be kept by the United States. The May 13 *Globe and Mail* reported that one Canadian industry official, who spoke on condition of anonymity, suggested the U.S. export tax plan looks suspiciously like a quota and may not go very far.

INTERNATIONAL POLL SHOWS MAJORITY SUPPORT TRADE: A key survey released ON May 13 by Ekos Research Associates Inc. for the Canadian Department of Foreign Affairs and International Trade today entitled "Canadian Attitudes Toward International Trade" indicates that the majority of Canadians continue to view trade as a stronghold of Canada's economy and are open to pursuing more trade agreements with other countries. Despite a drop in overall economic optimism since the 2002 survey, 80% of Canadians continue to believe that Canada's economy benefits from international trade. "This survey clearly shows that Canadians recognize the importance of international trade to our prosperity, and support more initiatives to bolster trade and investment," said International Trade Minister Pettigrew. "In that vein, we are working continuously to develop initiatives to assist Canadians who seek to export abroad, and we are pursuing several free trade agreements to help expand markets for Canada's goods and services."

Support for free trade agreements reflects a notable jump, up from 61% in 1999.

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